

CHAPTER 17

FY 2002 DEFENSE BUDGET

President Clinton's FY 2002 budget, being sent to Congress in January 2001, includes a National Defense funding total but no detail on funding for specific programs or appropriations titles. This Defense total would pay for the requirements contained in a detailed Department of Defense (DoD) FY 2002 budget plan, all parts of which are subject to change by the new President and his DoD leadership. The new President will forward to Congress full details on his proposed FY 2002 defense spending, once those details are completed. Additionally, the new DoD leadership will conduct a Quadrennial Defense Review (QDR) to set its course for the years ahead.

Like the three previous DoD budgets, the FY 2002 plan was developed largely based on the Department's May 1997 Quadrennial Defense Review. The QDR detailed changes needed to address new global threats and opportunities and to make the best use of constrained resources. Its recommendations on strategy, forces, modernization, and support activities guided the Department in giving balanced and strong emphasis on both current and future security needs. Near-term DoD budgets must sustain the readiness of U.S. forces to respond decisively to crises. Over the long-term, DoD must fund the needed post-Cold War transformation of America's defense posture and modernize U.S. forces to ensure their future combat superiority.

THE DEFENSE TOPLINE

During the first term of the Clinton Administration, the President and Congress supported cuts in the defense topline as they continued prudent adjustments in light of the end of the Cold War—adjustments that were begun under President Bush. Most of the cuts came from a shrinking of the force structure and a decline in weapons procurement, both of which could be made without undermining the superiority of U.S. forces. The decline in defense spending had begun in FY 1986, in response to pressure to reduce the federal budget deficit as prescribed by the 1985 Gramm-Rudman-Hollings balanced-budget law. The decline accelerated during the early 1990s, primarily in response to the end of the Cold War and collapse of the Soviet Union. In FY 1998, the last year of the decline, DoD budget authority was in real terms nearly 37 percent below its level in FY 1985, the peak year for inflation-adjusted budget authority since the Korean War. As a share of America's gross domestic product, FY 2000 DoD outlays were 2.9 percent, less than half the average percentage during the Cold War.

In the three years since President Clinton submitted his FY 1999 budget request in February 1998, a total of \$227 billion has been added to the DoD topline. (This total is for direct topline changes to DoD budget authority. It does not include adjustments to DoD funding as a result of economic changes in inflation rates, fuel prices, and the like. It also does not include rescissions.)

The biggest topline boost came in President Clinton's FY 2000 budget request in early 1999, when he proposed the first sustained long-term increase in defense funding since the 1980s. For FY 2000–2005, the President added \$84 billion to the topline. (The President also allowed the Department to retain and reapply \$28 billion in savings from favorable economic conditions—for a total of \$112 billion in added funding resources.) In his FY 2001 and FY 2002 budgets, the President proposed additional topline increases. For FY 2000–2007, a total of \$188 billion was added by the President in his FY 2000, 2001, and 2002 budget requests. The President also requested supplemental appropriations for the FY 1999 and FY 2000, totaling \$11 billion, to meet unforeseen requirements.

In its adjustments to and approval of President Clinton's supplemental appropriations in his budgets for FY 2000–2002, Congress added a total of \$28 billion to the DoD topline.

Table 17-1 details the \$227 billion in topline increases that were added to the long-term plan projected by the President's FY 1999 budget request.

Table 17-1										
Department of Defense Budget Authority (Discretionary \$ in billions)										
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	Total
FY 1999 President’s Request	258	264	272	276	285	292	299	307	314	2,568
Supplemental Requests	+9	+2								+11
Administration Topline Increases		+4	+20	+35	+25	+25	+25	+27	+28	+188
Congress Adds to Requests	+7	+17	+4							+28
Total FY 1999–2007 Topline Changes	+16	+23	+24	+35	+25	+25	+25	+27	+28	+227
FY 2002 President’s Request	275	287	296	310	310	317	324	333	342	2,795

BUDGET PRIORITIES

The FY 2002 budget plan supports the sound priorities emphasized in the 1997 QDR.

PEOPLE AND QUALITY OF LIFE

America's security depends on the high quality of its military people. Keeping that quality high means taking good care of those military professionals and their families with good pay, housing, health care, and other quality of life essentials. To address mounting warnings about retention and recruiting, the President's FY 2000 and 2001 requests proposed substantial improvements in military pay, retirement benefits, and the Basic Allowance for Housing. Congress supported these improvements, increased certain elements of them, and added new benefits for military families and retirees.

READINESS

To sustain prudent readiness the President's budgets have included strong funding for training, supplies, maintenance of weapons and equipment, and other preparedness essentials. Nevertheless, constant attention has been needed to address new readiness challenges, that continuously arise as an inevitable consequence of a high operational tempo and the aging of military hardware. During these years, the Department has increased or shifted funding to address readiness problems—while timely congressional passage of sufficient supplemental appropriations has been needed to replace budgeted funds that had to be diverted to finance contingency operations in the Balkans and elsewhere.

FORCE STRUCTURE AND END STRENGTH

The U.S. force structure and military end strength are about two-thirds of their levels when the Berlin Wall fell in November 1989. Most of this shrinkage occurred or was programmed to occur before President Clinton took office in January 1993. (Other personnel data is in Appendix C.) In recent years, the Department's focus has been on reshaping this smaller force to enable it to deal with post-Cold War threats and opportunities most effectively. Details on this military transformation are in Chapter 11.

MODERNIZATION OF U.S. FORCES

To ensure America's technological and qualitative superiority on future battlefields, U.S. forces must be modernized with new systems and upgrades to existing systems. The 1997 QDR recommended that annual Procurement funding increase to \$60 billion by FY 2001 in order to establish a prudent pace for producing and fielding new systems. The President's FY 2001 budget requested \$60.3 billion for Procurement. Congress appropriated \$59.8 billion in the Procurement title and another \$2.8 billion for C-17 procurement in an Airlift Fund within the Revolving Funds title.

STREAMLINING AND REFORMING INFRASTRUCTURE

For the past three years Secretary Cohen's Defense Reform Initiative has intensified DoD efforts to make its infrastructure leaner and more efficient in order to support U.S. forces better and consume less of the budget. Infrastructure savings will be especially important to the funding of weapons modernization. The most important next step in DoD streamlining is congressional approval of two more rounds of base realignment and closure (BRAC). Once fully implemented, these rounds should save about \$3 billion per year.

During the Clinton Administration, the Department carried out the bulk of the implementation of the previous four BRAC rounds. Net savings from these will total about \$15 billion when implementation is completed at the end of FY 2001. After FY 2001, recurring savings will be about \$6 billion per year.

CONCLUSION

The new President and his Department of Defense leadership will be assuming stewardship of a robust and balanced defense program. At its core are America's armed forces—stronger than ever and fully capable of securing the nation's future. Still, as in the past four years, constant attention will be needed to ensure optimum equipping and support for the military men and women safeguarding U.S. interests around the globe.

